There is a direct, or positive, relationship between the price of a good or service and the quantity supplied of that good or service.

There is an inverse or negative relationship between the price of a good or service and the quantity demanded of that good or service.

Price = $P$ 
Quantity = $Q$

<table>
<thead>
<tr>
<th>Price</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.00</td>
<td>400</td>
</tr>
<tr>
<td>$1.60</td>
<td>500</td>
</tr>
</tbody>
</table>

Chocolate Bar Supply Curve

If $P$ from $2.00 to $1.60 
Then $Qs$ from 500 to 400 bars

Determinants of Supply

- Input prices
- Technology
- Number of sellers
- Producer expectations
- Change

Shifting the Supply Curve

Cost for factors of production
- $P$ of cocoa and sugar
- Supply $g$ and shifts left from $S1$ to $S2$

Determinants of Demand

- Income
- Consumer expectations
- Change
- Prices of related goods

Shifting the Demand Curve

Price of complementary goods
- $P$ for graham crackers and marshmallows
- Demand $d$ and shifts right from $D1$ to $D2$

Market Equilibrium

When a market is in equilibrium, the quantity demanded equals the quantity supplied at the price that clears the market. This is the equilibrium price.

$Ep = Equilibrium price$ 
$Eq = Equilibrium quantity$

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